

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Division of Consumer & Business Education

Buying, Giving, and Using Gift Cards

Shopping for gifts can be a real dilemma. Just what do you get the person who has everything: your finicky Aunt Mary, your co-worker, or your child's babysitter? Gift cards may be the answer: one size fits all, and the recipients can get exactly what they want.

But before you buy a sack-full of gift cards from your favorite retailer, restaurant, or local financial institution, the Federal Trade Commission (FTC) wants you to know that some strings may be attached. For example, some cards can be used only at the retailer's store locations; others can be used at any retailer and online. Some cards have expiration dates; others let the user "reload" or add money to the balance on the card. And some have fees, like activation fees, transaction fees, monthly maintenance fees, replacement fees for lost or stolen cards, or balance inquiry fees. Or there may be a fee for inactivity. For example, if someone hasn't used the card in a while, say, 24 months, a fee might be deducted from the balance each month until the card is used or the balance is checked.

Consumers are projected to spend a whopping \$25 billion on gift cards in the 2006 holiday season, up from the \$18 billion they spent on gift cards a year ago.

Tips for buying gift cards

Store cards sold by retailers usually are issued free of charge. But banks often charge consumers a fee to buy their cards. Some bank gift cards come with a Personal Identification Number (PIN) that lets the user withdraw cash from an ATM.

Regardless of who you buy a gift card from — or where:

- Buy from sources you know and trust. Avoid buying gift cards from online auction sites; the cards may be counterfeit or may have been fraudulently obtained.
- Read the fine print before you buy. If you don't like the terms and conditions, buy elsewhere.
- When you're buying a card, ask about expiration dates and fees. This information may appear on the card itself, on the accompanying sleeve or envelope, or on the issuer's website. If you don't see it, ask. If the information is separate from the gift card, give it to the recipient with the card to help protect the value of the card.
- Inspect the card before buying. Verify that none of the protective stickers have been removed. Also make certain that the codes on the back of the card have not been scratched off to reveal a PIN number. Report tampered cards to the store selling the cards.
- Give the recipient the original receipt to verify the card's purchase in case it is lost or stolen.
- Consider purchase fees: Is there a fee to buy the card, or activate it? If you buy the card online or on the phone, is there a fee for shipping and handling? Does expedited delivery cost more?
- Consider fees for the recipient. It might be embarrassing to give a \$50 gift card to someone if much of the amount gets gobbled up in fees.

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- Check on purchase exceptions. For example, can the recipient use a store-specific gift card at either the physical store or at the store’s website? Can an “all purpose” card really be used to buy groceries or gasoline?

Tips for using gift cards

If you’ve received a gift card, be smart about how you use it.

- Read the terms and conditions when you get the card, and check for an expiration date or any fees.
- If you didn’t get the card’s terms and conditions, the original purchase receipt, or the card’s ID number, ask for them from the person who gave you the card, and then keep them in a safe place.
- Treat your card like cash. If your card is lost or stolen, report it to the issuer immediately. You may be out the entire amount on the card. Some issuers don’t replace the cards, but others do if you pay a fee. If an issuer charges for a replacement card, you’ll most likely need to document the purchase and provide the ID number on the card. Most issuers have toll-free numbers to report lost or stolen cards.
- If your card expires before you’ve had a chance to use it or exhaust its value, contact the issuer. They may extend the date, although they may charge a fee to do it. Some merchants have stopped charging inactivity fees or imposing expiration dates, so it pays to check with the issuer to make sure you’ve got the most up-to-date information.

Problems and Complaints

If you have a problem with a gift card, the first step is to contact the store or financial institution that issued the card. If you can’t resolve the problem at that level, you may want to file a complaint with the appropriate authorities:

For cards issued by retailers: Contact the Federal Trade Commission at ftc.gov or call toll-free: 1-877-FTC-HELP. You also may file a complaint with your state Attorney General (for a list of state offices, visit www.naag.org.)

For cards issued by national banks: Contact the Comptroller of the Currency’s (OCC) Customer Assistance Group by calling 800-613-6743 or sending an e-mail to: customer.assistance@occ.treas.gov. The OCC charters, regulates, and supervises national banks, some of which issue gift cards.

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

FEDERAL TRADE COMMISSION	ftc.gov
1-877-FTC-HELP	FOR THE CONSUMER